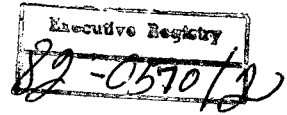


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THE DIRECTOR OF CENTRAL INTELLIGENCE

WASHINGTON, D.C. 20505

National Intelligence Council

DDI 2308-82
19 March 1982

MEMORANDUM FOR: Director of Central Intelligence
Deputy Director of Central Intelligence

VIA: Chairman, National Intelligence Council *HR*

FROM: Charles E. Waterman
National Intelligence Officer for NESA

SUBJECT: Middle East Developments Following Termination of Iran-Iraq War

1. This is in response to your request for up-to-date assessments of the state of play, motivations and threats in Lebanon, the impact of the termination of the Iran-Iraq war on Syria and the Israel-Lebanon situation, and the likely nature of superpower relationships with Baghdad and Tehran in the post-war era.

2. Attachment A includes three recent NESA productions on the state of play in Lebanon [redacted]

[redacted] They represent our current thinking on this subject.

*See separate
And - Israel
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3. Attachment B discusses the impact on Syria and the Israel-Lebanon situation of a cessation of Iran-Iraq hostilities.

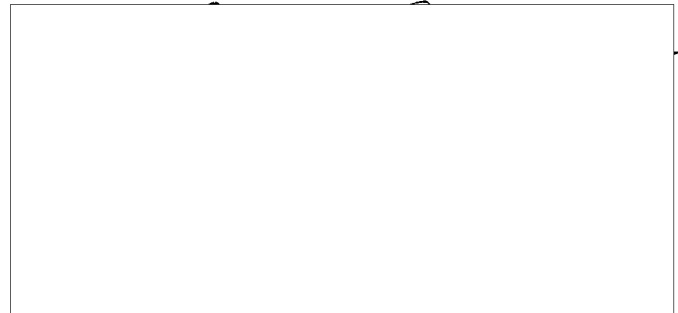
4. Attachment C discusses Iran-Iraq superpower relationships in the post Iran-Iraq War era: Moscow clearly recognizes that Iran -- not Iraq or the other Gulf states -- is the strategic prize in the region. An end to the war, however, would neither dramatically improve nor hinder Moscow's position there. Nor does the United States stand to reap either near term benefits or suffer adverse effects from cessation of the war. Many other factors impinge more critically on our relationship with Tehran.

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Attachments:
As Stated

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16 March 1982

Impact on Syria and the Israel-Lebanon Situation of a Cessation of Iran-Iraq Hostilities

There are a number of advantages and disadvantages for Syria in a cessation of hostilities between Iran and Iraq. On balance, President Assad probably believes the pluses outweigh the minuses. An end to the war would:

- Improve Syria's relations with the moderate Arab leaders, now opposed to Assad's policy of support of non-Arab Iran in a war with a fellow Arab state.
- Return Syria and its confrontation with Israel to center stage in the Arab world.
- Free some Iraqi forces to support Syria in the event of a war with Israel, although probably only a token force of less than a Division given the poor political relations between Syria and Iraq.

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From Syria's point of view there are some important negative consequences as well. An end of the war would enable Iraq to devote more attention and aid to:

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-- Assad's Muslim Brotherhood opposition.

-- Anti-Syrian factions in Lebanon trying to undermine Syrian influence there.

-- The Palestine Liberation Organization to strengthen the pro-Iraqi factions and weaken the pro-Syrian ones.

Moreover, Assad might calculate that the longer the war drags on, the greater the chances of Saddam Hussein's ultimate ouster.

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An end to the war is unlikely to end the deepseated Syrian-Iraqi enmity, one based largely on rival claims to Arab leadership. The effects on Lebanon of this continuing rivalry is particularly severe because Damascus and Baghdad conduct a terrorist campaign by proxy there, using their Lebanese surrogates. Such a campaign also emboldens other factions in Lebanon to launch attacks on their rivals. This could have particularly grave consequences if the Christian Phalange sought to take advantage of the situation to expand the area under its control. Such a move risks Syrian intervention against the Christians that the Israelis could not ignore.

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A cessation of Iraqi-Iranian hostilities might persuade Syria to press the Arabs for more economic and diplomatic support in the struggle against Israel. Assad would do so in a way calculated to enhance Syria's position in the Arab world at the expense of Iraq.

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IMPACT OF TERMINATION OF IRAN-IRAQ WAR ON THEIR
RELATIONSHIPS WITH THE US AND USSR

Assumption--The war ends soon and the settlement involves compromise on both sides.

CONCLUSIONS:

The end of the war will have only a marginal impact on Iran's relations with the superpowers.

- There will be no letup in Iranian hostility to the US or to Iranian subversion of US interests in the region, primarily directed at Tehran's moderate Arab neighbors.
- The USSR will continue to benefit from Iran's fear of the US and its economic and military requirements.

As for Iraq, the US will probably be invited to play a role in postwar economic development and in Baghdad's efforts to reduce its dependence on Soviet military equipment.

- Baghdad will compartmentalize its economic and political dealings with the US. Still, a significantly improved political relationship with the US in the short term is a growing, if still unlikely, possibility.

DISCUSSION:

Iran--Tehran's revolutionary fervor and its suspicions of Washington's intentions ensure that it will remain hostile toward the US after the war ends. These same factors point to a continued gradual improvement in Iranian relations with the USSR.

To the degree that Iran moves to the West at all after the war, it will be mainly in the direction of expanding trade--primarily with Western Europe and Japan. Increased trade, however, will be constrained by the oil glut.

- Iran is finding it difficult to sell even its war-reduced oil output. It is being forced into barter arrangements, largely with Eastern Europe.

Iran will move quickly to demand an end to the Western arms embargo after the war ends, but even if the West is forthcoming, Tehran will maintain relations with its suppliers of Soviet-model arms in order to minimize dependence on any single source.

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With an end to its preoccupation with the war, Tehran will be more able to focus on attempts to subvert its moderate Arab neighbors in the Persian Gulf. Khomeini and other leaders have consistently emphasized that their revolution is Islamic not solely Iranian. Iranian "ideology" argues that Iran is in a long term struggle for survival with the Islamic "counterrevolution"--supported by the infidel West. Therefore, Tehran cannot consolidate its domestic revolution without extending revolutionary Islamic rule abroad.

Iran's size and location make it more important to Soviet strategic interests than Iraq or any other Gulf Arab state. The Soviets will not want to be associated publicly with Iranian subversion in the Gulf because they have hopes of better relations with moderate Arabs. Nevertheless, Moscow could see such efforts as serving broader Soviet interests.

An end to the war will not have a fundamental impact on the major factors affecting Iran's relationship with the USSR. Iran's relations with the Soviets and its allies currently are driven by economic and military needs on the one hand, and by deep suspicion rooted in history on the other. Presumably, an end to the war would make trade with the USSR and Eastern Europe less vital. The volume of goods transitting the USSR should diminish as Iran's northern Gulf ports reopen. The USSR and Eastern Europe, however, will continue to be the best market for barter deals if Iran cannot pay hard currency for western goods.

On the political side, the Soviets will continue to emphasize that they share with Tehran a common enemy--the US--and a common revolutionary outlook, and that Tehran faces a growing threat from the US that only Soviet assistance can counter. At war's end, Tehran probably will more vigorously pursue a foreign policy aimed at improving relations with "oppressed" third world countries, espousing themes of opposition to US imperialism that are coincidentally in step with Soviet aims and propaganda.

Iraq--A settlement of the war would probably reduce Iraqi dependence on the Soviets and lead to a downgrading of the relationship. Iraq will intensify efforts to develop its economy and to refurbish its military, probably with West European and some US equipment. Baghdad still has substantial foreign exchange reserves, and it probably will continue to receive substantial economic assistance from the Gulf Oil states--primarily Saudi Arabia and Kuwait.

Moscow will try to halt Iraq's slide to the West, most likely with offers of military supplies. A balanced arms purchasing policy plus continued tensions with Iran exclude an Iraqi decision to sever the Soviet arms relationship. This military tie will remain Moscow's principal source of leverage with Baghdad.

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Iraq will want better relations with the US. Even if economic ties improve, however, political relations will hinge mainly on Baghdad's perception of US support for Israel.

Iraq, like Iran, also will pursue a more active role in third world politics using their nonaligned leadership position to steer that group away from the pro-Soviet course Cuba has set over the past three years.

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